

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4039-01
Bill No.: HB 1709
Subject: Education, Elementary and Secondary: Taxation and Revenue - General; Taxation and Revenue - Income
Type: Original
Date: February 25, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
General Revenue	\$0 to (UNKNOWN)	\$0 to (UNKNOWN)	\$0 to (UNKNOWN)
Total Estimated Net Effect on <u>All</u> State Funds*	\$0 to (UNKNOWN)	\$0 to (UNKNOWN)	\$0 to (UNKNOWN)

* Subject to appropriation

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
School Districts	\$0 to UNKNOWN	\$0 to UNKNOWN	\$0 to UNKNOWN

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Division of Budget and Planning** stated that their agency had not been able to find any empirical basis to estimate the fiscal impact of this proposal.

Officials from the **Secretary of State's Office (SOS)** assumed the rules, regulations and forms issued by the Department of Elementary and Secondary Education could require as many as 8 pages in the *Code of State Regulations*. For any given rule, roughly half again as many pages are published in the *Missouri Register* as in the Code because cost statements, fiscal notes and the like are not repeated in the Code. These costs are estimated. The estimated cost of a page in the *Missouri Register* is \$23. The estimated cost of a page in the *Code of State Regulations* is \$27. The actual costs could be more or less the SOS's estimated cost of \$492 for FY 2003. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules, filed, amended, rescinded or withdrawn.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Department of Elementary and Secondary Education (DESE)** stated the need for a supervisor to draft rules and evaluate applications, handle appeals, process the information (i.e. number of eligible participating students, background information, etc.), and transmit necessary information to the Department of Revenue. DESE further stated that the IT section might need to develop a web-based application process.

Oversight assumes costs associated with setting up this program expansion could be absorbed with existing resources. The DESE budget request for FY 03 indicated an appropriation request from the General Assembly to let the level of tax credits for the local mentoring activity at \$3,750,000; however the Governor's recommendation was \$0. Oversight assumes that funding may not be available for the dropout abatement portion of the program.

DESE stated that there would be a benefit to school districts as a result of this proposed legislation. However, receipt of those benefits depends upon application and approval for participation in the program. Furthermore, it will be necessary for the districts to attract businesses willing to provide money for the programs so that the businesses may receive these tax credits. The extent of participation in the program by businesses cannot be determined.

ASSUMPTION (continued)

Officials from the **Department of Revenue** do not anticipate a significant increase in the number of new credits filed. Therefore, the Department will not request additional FTE at this time. However, if the Department is incorrect in this assumption, the Department will need one Temporary Tax Season Employee for every 10,000 additional credits, one Tax Processing Tech I for every 30,000 additional errors generated and one Tax Processing Tech I for every 3,000 additional pieces of correspondence received regarding this credit. DOR will monitor the credit and any FTE needed will be requested during the normal budget process.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
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GENERAL REVENUE

<u>Loss - Additional Income Tax Credit for Dropout Abatement Pilot Program</u>	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
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ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
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SCHOOL DISTRICTS	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>
<u>Income - Business Contributions</u>			

FISCAL IMPACT - Small Business

Small businesses would expect to be fiscally impacted to the extent that they would incur costs for contributions to the program and receive tax credits for those contributions.

DESCRIPTION

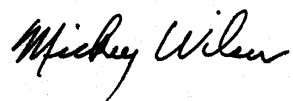
This proposed legislation expands the definition of an approved program within a sponsorship and mentoring program to include a business dropout abatement pilot program, including education efforts and work-related programs for students.

The proposal also increases the maximum tax credit per taxpayer for the program from \$2,000 times the number of students allowed to be claimed by the taxpayer to \$5,000 times the number of students.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education
Office of Secretary of State
Administrative Rules Division
Office of Administration
Division of Budget and Planning
Department of Revenue

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Acting Director
February 25, 2002